



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

May 31, 2002

The Honorable Robert C. Byrd  
President Pro Tempore  
United States Senate  
Washington, DC 20510

Dear Sir:

Section 6(e) of Public Law 106-107, the Federal Financial Assistance Management Improvement Act of 1999 (the Act), calls for the Office of Management and Budget (OMB) to submit the Administration's "recommendations for changes in law to improve the effectiveness, performance, and coordination of Federal grant programs."

The enclosure to this letter includes program-specific recommendations identified by agencies in their FY 2003 budget submissions, as well as governmentwide cross-cutting recommendations, applicable to all grant-making agencies, identified by OMB, agencies and the grantee community. The recommendations aim to reduce burden in administering grants for agencies and grantees by suggesting changes to current statutes and/or regulations (e.g., streamline certification and assurance requirements) and by developing new grant processes (e.g., use of a single identifier for all grantees).

This is our first set of recommendations to identify statutory impediments for grants streamlining. Many agencies noted in their FY 2003 budget submissions that it will take them more time to assess and develop a complete set of legislative recommendations. As the agencies continue to implement the steps for grants streamlining under the Act, they will also identify other statutory and administrative impediments.

Initial agency responses suggest that many of the perceived roadblocks to grants streamlining, initially thought to be statutory impediments, may be agency or bureau regulations that can be addressed administratively. We intend to pursue these, as significant progress can be made in the near term by addressing the administrative roadblocks that are within the power of a Secretary or Agency Head to alleviate.

We will continue to request that additional legislative recommendations be identified and included in agencies' FY 2004 budget submissions to OMB. Also, we will continue our work with the grant-making agencies to identify and address administrative roadblocks to streamlining the Federal grants management process.

I appreciate your continued interest in our efforts to improve the Federal grants

management process. I hope our staff can meet in the near future to discuss the feasibility of enacting these recommendations. Please do not hesitate to contact me or Joseph L. Kull, Deputy Controller, Office of Federal Financial Management at 202-395-3993, if we may provide additional information.

Sincerely,

Mark W. Everson  
Controller

Enclosure

c: The Honorable Richard Gephardt  
The Honorable Joseph I. Lieberman  
The Honorable Fred Thompson  
The Honorable Dan Burton  
The Honorable Henry A. Waxman  
The Honorable Robert C. Byrd  
The Honorable Ted Stevens  
The Honorable C.W. Bill Young  
The Honorable David Obey  
The Honorable Steve Horn  
The Honorable Janice Schakowsky

Identical Letter Sent to The Honorable Dennis Hastert

## **Enclosure**

### **Recommendations for Statutory and Administrative Changes Under the Federal Financial Assistance Management Improvement Act of 1999**

Section 6(e) of Public Law 106-107, the Federal Financial Assistance Management Improvement Act of 1999 (the Act), calls for the Office of Management and Budget (OMB) to provide the Congress with the Administration's recommendations for changes in law that are necessary to improve the effectiveness, performance, and coordination of Federal grant programs. To meet its responsibility, OMB modified its budget preparation guidance, OMB Circular A-11, "Preparing and Submitting Budget Estimates," to require agencies to identify program-specific statutes that authorize a specific program or appropriate a program's funding, and identify any changes needed to meet the objectives of the Act.

When the Act was passed in November 1999, a general consensus existed in the grants community that many of the obstacles to effective grant performance and coordination were statutory. However, subsequent agency submissions suggest that many of the perceived statutory roadblocks are instead agency or bureau policies or regulations that can be addressed administratively.

We believe that significant progress can be made in the near term by addressing the administrative roadblocks that are within the power of a Secretary or Agency Head to remove, and we plan to do so. However, OMB will continue to request that additional beneficial legislative recommendations be identified and included in the agency FY 2004 budget submissions to OMB.

In addition, as agencies continue to work together to implement the steps for grant streamlining under the Act, they will identify other statutory and other administrative impediments. For example, an interagency team established under the Act (known as the Pre-Award Workgroup) is analyzing the pre-award phase of the grant process and will review application forms to identify variations in statutorily mandated grantee reporting requirements. These types of inconsistencies will be included in our next letter to Congress.

It is also important to note that the continuing work of other agency workgroups to implement the Act will directly benefit the implementation of some of the recommendations listed in this enclosure. For example:

- ◆ The Pre-Award Workgroup is also analyzing the requirements relating to certifications and assurances. The workgroup is developing recommendations to streamline this cumbersome and time-consuming process.
- ◆ The Government-wide Electronic Grants (or E-Grants) initiative, along with the interagency Electronic Workgroup established under the Act, plans to produce a simple and unified "portal" for all grantees to electronically find opportunities, to apply for and to manage grants. In the design and implementation of this initiative, the workgroup plans to define and

implement a single identifier for grantees that would facilitate the identification and evaluation of grant programs performance across agencies, programs, and grant recipients.

This enclosure includes cross-cutting recommendations, applicable to all grant-making agencies, as well as program-specific recommendations. It was developed by OMB with input from agencies and the grantee community; and includes some program-specific recommendations identified by agencies in their FY 2003 budget submissions. The recommendations, both statutory and administrative, are presented in three parts:

- ◆ Part 1: Governmentwide Cross-Cutting Statutory Recommendations
- ◆ Part 2: Agency-Specific Statutory Recommendations
- ◆ Part 3: Administrative Recommendations

The Administration currently has the authority to implement the administrative recommendations in Part 3, while statutory changes will be required for recommendations in Parts 1 and 2.

#### Part 1: Governmentwide Cross-Cutting Statutory Recommendations

- ◆ **Impediment:** Billions of dollars in erroneous payments are made in Federal assistance programs annually. The ability to verify beneficiary eligibility is an important tool for reducing these erroneous payments, but for a number of programs there are statutory prohibitions against accessing various Federal and state databases for this purpose. For example, in its FY 2001 financial statements, the Department of Housing and Urban Development (HUD) reported that it had overpaid rent subsidies by almost \$1 billion due to underreporting of income by tenant beneficiaries. The Federal Government collects information that could remedy this problem. Information in the National Directory of New Hires (NDNH) maintained by the Department of Health and Human Services (HHS) would facilitate accurate verification of the income of the applicants and tenants in HUD's public and assisted housing programs. However, under current law, HUD and its intermediaries do not have access to this information.
- ◆ **Recommendations:** Develop one or more statutory provisions that would allow administrators of Federal benefit programs limited access to certain Federal administrative data for the purpose of verifying beneficiaries' eligibility. For instance, HUD is considering options that would match tenant and applicant information possessed by HUD to the NDNH. In turn, HUD would use the results solely to verify beneficiary eligibility. This limited access of NDNH data would only be provided to HUD in accordance with HHS' established security and control policies and procedures regarding the collected data to protect against unauthorized or inappropriate disclosure of private information.

\*\*\*\*\*

- ◆ **Impediment:** Many grant applications, in accordance with program statutes and regulations, require grantees to include certifications or assurances of compliance with law and regulations (e.g., lobbying, drug-free workplace, and suspension and debarment). In addition, many agencies require certifications and assurances for each separate grant, even when the grantees made those same certifications and assurances when receiving previous awards from the same agencies. Furthermore, some agencies require the certifications and assurances at the time of the proposal, rather than at the time of award, thus collecting certifications and assurances from both successful and unsuccessful applicants. These requirements are both burdensome and result in duplication in many cases. While preserving the policies regarding lobbying, drug-free workplace, and suspension and debarment, the Administration seeks legislation to administer the policies more efficiently.
- ◆ **Recommendations:** Rationalize the certifications and assurances required of grantees. Determine the proper use of “certifications” versus “assurances.” The Pre-Award Workgroup is analyzing the certifications and assurances requirements to identify opportunities to standardize and simplify them. The workgroup is developing statutory and administrative recommendations to streamline the requirements that would reduce administrative effort, paperwork and redundancy, and increase the time available for the promotion of grant efficiency and effectiveness. These recommendations will be submitted in the near future. *(This recommendation also appears in Part 3 since it also involves administrative recommendations).*

\*\*\*\*\*

- ◆ **Impediment:** Policy or practice in many Federal, State, and local government funding programs (and many corporate and foundation funding programs) require applicants to apply for section 501(c)(3) status (i.e., a tax exemption status for non-profit organizations) in accordance with that section of the Internal Revenue Service (IRS). The process of gaining this status can be expensive and time consuming, and can even discourage novice and/or smaller organizations from applying for grants.
- ◆ **Recommendation:** Craft statutory language to create a quick and easy process for smaller non-governmental organizations to receive 501(c)(3) designation from the IRS. Similar provisions are included in Chairman Lieberman’s bill, S.1924, the Charity Aid, Recovery and Empowerment (CARE) Act of 2002, which would require the Department of the Treasury to adopt procedures for expedited consideration of applications for 501(c)(3) recognition. These expedited procedures, called "EZ Pass designation” in the CARE Act, would lower the cost and time thresholds, thus enabling novice and/or smaller organizations to engage more easily in the grants process.

\*\*\*\*\*

- ◆ **Impediment:** Evaluations of program effectiveness are not always a routine part of grant funding. However, with so many third parties administering Federal programs, such assessments are most effective when done at the level of the grantee. Although currently required under the Government Performance and Results Act, agencies often do not have adequate resources to properly and frequently evaluate the performance of their grant programs. Making resources available for greater program evaluation would improve the Federal Government's ability to assess outcomes and program administration. These evaluations will allow agencies to adjust programs or recommend changes that will improve performance and achieve greater results.
- ◆ **Recommendations:** Modify program statutes that authorize a Secretary or Agency Head, in the case of both Federal discretionary and formula or block grant programs that fund social services, to set aside a specific percentage of grant or program funding to pay for third party evaluation.

\*\*\*\*\*

- ◆ **Impediment:** The Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3334) requires grant applicants for a wide variety of projects to first submit their grant applications to an area-wide agency, such as a regional planning commission. The area-wide agency has up to 60 days to comment on the proposal before it can be submitted to a Federal agency for funding consideration. This statutory requirement causes delays in the proposal review and award of assistance to recipients.
- ◆ **Recommendation:** Shorten the area-wide agency review period. Federal agencies should work with State or regional agencies to determine a reasonable review period (e.g., 10 days for notification of proposals with no comment) for Federal grant proposals. This would speed up the proposal review and awarding processes, thus getting the awards to the grantees more quickly.

## Part 2: Agency-Specific Statutory Recommendations

### Department of Energy (DOE)

- ◆ **Impediment:** DOE is unable to adopt uniform requirements for certain subject matters across its financial assistance programs because it receives funding from multiple appropriation acts, and those acts (in their "General Provisions" sections) apply different requirements to various financial assistance programs. For example, the lobbying provisions, as well as "Buy American" provisions contained in the Energy and Water Development Appropriations Act are different from the analogous provisions in the Department of the Interior and Related Agency Appropriations Act.

- ◆ **Recommendation:** OMB will work with Congress to develop a set of standard provisions across appropriations acts in order to apply uniform requirements not only to DOE programs, but to all Federal programs.

#### Department of Housing and Urban Development (HUD)

- ◆ **Impediment:** HUD is required by statute to collect varying types of data for similar programs, such as Homeless Assistance, Housing for Persons With AIDS, Assisted Living Facilities, and Congregate Housing. The different, statutorily-specified requirements make it difficult for HUD to monitor results of these programs and distinguish performance among them. For example, each of these programs provide support for congregate housing, but data is collected in different ways across the programs. In addition, many of HUD's programs have different definitions of "low and moderate income."
- ◆ **Recommendation:** Identify common requirements across program areas and consolidate reporting requirements, where appropriate, in the authorizing legislation for HUD's programs to a single set of required data. Eliminate disparities and discrepancies in program definitions and propose uniform definitions for all programs.

#### Department of the Interior (DOI)

- ◆ **Impediment:** Administering grant funds at DOI's U. S. Fish and Wildlife Service is a complicated process because of the inconsistencies in the periods for which grant funds are available (and final disposition of funds as stated in different acts). The source of these inconsistencies are five authorizing statutes:
  - The Sport Fish Restoration Act, 2-year and 5-year programs (reversion to fish research),
  - The Wildlife Restoration Act, 1-year and 2-year programs (reversion to Migration Bird Program),
  - The Clean Vessel Act, 3-year program (reversion to Department of Transportation),
  - The Sportfishing and Boating Safety Act, 3-year program (reversion to Department of Transportation), and
  - The Wildlife Conservation and Restoration Program, 3-year program (reversion to Migratory Bird Program).
- ◆ **Recommendation:** Modify language in each of the five acts to define one consistent period during which grant funds would be available to grantees, and one consistent method for final disposition of funds.

\*\*\*\*\*

- ◆ **Impediment:** The Wildlife and Sport Fish Restoration Programs Improvement Act of 2000 enhanced the nation's fish and wildlife conservation. However, it also contained a number of provisions that actually impede the effectiveness, coordination, and accountability of the programs it authorizes. DOI's Fish and Wildlife Service, Division of Federal Aid prepared a report to Congress in late FY 2001 that requested changes in five areas, including: administration of the acts, personnel costs, part-time employees, multi-state conservation grant programs, and Sport Fish Restoration Program reverted funds.
- ◆ **Recommendation:** Revise the Act to allow DOI more flexibility to run the programs more efficiently. For example, the Act can be modified to authorize the Secretary a broader range of authorities to fund multi-State projects. Such authority should provide the Secretary the ability to enter into contracts, interagency agreements, and other alternatives in addition to outright grants so long as the arrangements meet the goals of the legislation. The Act can also be revised to reflect more accurately Congress' intent to prohibit the use of reverted Sport Fish funds for the Service's Fisheries Research programs.

### Part 3: Administrative Recommendations

- ◆ **Impediment:** Need for a single identifier for grantees. Currently, grantees are not assigned a single, unique, and consistent identifier across the Federal Government for the grants they receive. Instead, agencies use a variety of identifiers for their grantees such as the taxpayer identification number or employer identification number (TIN or EIN) assigned by the Internal Revenue Service, the DUNS number issued by Dun & Bradstreet, or an agency-specific number. The lack of a single identifier makes it extremely difficult to identify, measure, and evaluate grant program performance across agencies, programs, and grant recipients.
- ◆ **Recommendations:** Require use of a single identifier for all grantees. This will involve modification of the process by which grantee identifier numbers are currently assigned. The greatest benefit will come from requiring all standard application and reporting forms to use a government-wide single identifier and mandating its use as part of the future electronic grants portal. The Government's E-Grants initiative (with its goal to produce a simple and unified "portal" for all customers of Federal grants to electronically find opportunities, to apply and to manage grants), along with the Electronic Processing Workgroup, is currently analyzing the use of a single identifier for all grantees. The E-Grants initiative will define and implement a single identifier standard by which an organization will identify itself and electronically submit an application and report on grant activities.

\*\*\*\*\*



- ◆ **Impediment:** The Single Audit Act Amendments of 1996 require that all grantees with expenses of more than \$300,000 in Federal assistance be audited in accordance with OMB Circular A-133, “Audits of States, Local Governments, and Nonprofit Organizations.” This audit covers the adequacy of the grantee’s financial statements as well as the grantee’s administration of Federal grant programs. The audit requirements can represent an administrative burden for some grantees in relation to the total Federal grants dollars received. Under the Act, OMB has the authority to raise the threshold that triggers the audit requirements.
- ◆ **Recommendations:** To lessen the administrative burden on grantees while ensuring the accountability of Federal dollars, OMB is considering raising the threshold from \$300,000 to \$500,000 per grantee per year. At the proposed \$500,000 threshold, over 99.5 percent of total Federal grant dollars for entities currently reporting under the Single Audit Act would continue to be covered by single audits. However, the increased threshold would reduce the number of grantees subject to OMB Circular A-133 by 5,400 grantees, or approximately 15 percent fewer grantees.

\*\*\*\*\*

- ◆ **Impediment:** Many grant applications, in accordance with program statutes and regulations, require grantees to include certifications or assurance of compliance with laws and regulations (e.g., lobbying, drug-free workplace, and suspension and debarment). In addition, many agencies require certifications and assurances for each separate grant, even when the grantees made those same certifications and assurances when receiving previous awards from the same agencies. Furthermore, some agencies require the certifications and assurances at the time of the proposal, rather than at the time of award, thus collecting certifications and assurances from both successful and unsuccessful applicants. These requirements are both burdensome and result in duplication in many cases. While preserving the policies regarding lobbying, drug-free workplace, and suspension and debarment, the Administration seeks legislation that allows us to administer the policies more efficiently.
- ◆ **Recommendations:** Rationalize the certifications and assurances required of grantees. Determine the proper use of “certifications” versus “assurances.” The Pre-Award Workgroup is analyzing the certifications and assurances requirements to identify opportunities to standardize and simplify them. The workgroup is developing statutory and administrative recommendations to streamline the requirements that would reduce administrative effort, paperwork and redundancy, and increase the time available for the promotion of grant efficiency and effectiveness. These recommendations will be submitted in the near future. *(This recommendation also appears in Part 1 since it involves statutory recommendations).*